GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4987
ANSWERED ON:16.12.2016
Merger of Private Banks
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has issued master direction for the merger of private sector banks;

(b) if so, the details thereof;

(c) whether the decision of merger should be approved by the respective bank boards by two thirds majority and not just by members present and voting; and

(d) if so, the details thereof and the action taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Reserve Bank of India (RBI) has issued Master Direction on Amalgamation of Private Sector Banks on April 21, 2016, which is available in public domain of RBI's website.

(c) to (d): (i) The Reserve Bank has discretionary powers to approve the voluntary amalgamation of two banking companies under the provisions of Section 44A of the Banking Regulation Act, 1949.

(ii) In terms of Section 44A of the Banking Regulation Act, 1949, the draft scheme of amalgamation has to be approved by the shareholders of each banking company by a resolution passed by a majority in number representing two-thirds in value of the shareholders, present in person or by proxy at a meeting called for the purpose.

(iii) Ceiling on voting rights under section 12(2) would apply in the context of section 44A, when there is a poll, to determine whether the resolution has been passed by required majority.

(iv) Before convening the meeting for the purpose of obtaining the shareholders' approval, the draft scheme of amalgamation shall be approved by the Boards of Directors of the two banking companies separately.

(v) Further, in terms of Section 44A of the Banking Regulation Act, 1949, after the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of the Section, it shall be submitted to the Reserve Bank for sanction.

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